



## Reference Material for Implementation of NSQC-1

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## Introduction

The Nepal Standard on Quality Control (NSQC-1) deals with a firm's responsibilities for its system of quality control for audits and reviews of financial statements, and other assurance and related services engagements. This reference material provides guidance relating to objective of the firm in implementing NSQC-1 and requirements designed to enable the firm to meet that objective along with application and other explanatory material. Basically it provides guidance on establishing and maintaining a firm's system of quality control. A system of quality control consists of policies designed to achieve the objective of the firm and the procedures necessary to implement and monitor compliance with those policies.

### ***Relevant explanation and guide***

- *Although the standard specifies requirement to be adhered by all accounting firms of professional accountants providing whether audit or non-audit services, the standard mainly provides guidance for complying with the requirement by audit firms which is also emphasized and elaborated in this reference material.*
- *The audit firms are obliged to develop and maintain the system of quality control irrespective of the fact that they are partnership or a firm of sole practitioner, and without regard to the size or operating characteristics and whether it is a part of a network. However, the standard recognizes that the requirements of this standard may apply proportionately and there is a need of exercise of professional judgment to determine the extent of compliance by the small size firms.*
- *Objective of the firm is described in separate section below.*
- *Policies are 'what the firm wants to do' and procedures are 'how the firm intends to achieve its ends'.*

## Objective of Firm's System of Quality Control

The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that:

- a. The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- b. Reports issued by the firm or engagement partners are appropriate in the circumstances.

### ***Relevant explanation and guide***

- *Professional standards are applicable Nepal standards on auditing, Code of Ethics for professional accountants pronounced by the Institute, and as specified in relevant requirements of the laws and regulations.*
- *The term "Appropriateness in the circumstances" calls for exercise of professional judgment in evaluating the circumstances of the engagement.*

## Applicability

The standard was originally pronounced by Auditing Standards Board (AuSB) to be mandatorily effective from 16 July 2010. On pronouncement of 2015 version of the Auditing standards, the effective date of mandatory implementation of the standard was set to be 16 July 2016.

### ***Relevant explanation and guide***

- *Implementing NSQC-1 across firms is not completely a new project. The firms may have been fulfilling the requirement of this standard in one or the other way, either in a formalized or informal structure with being documented in some form, or without any documentation.*
- *Hence, implementing NSQC-1 is first of all drafting the quality control policy in documented form addressing each of the requirements set by this standard, and facilitating its implementation by accumulating the existing best practices as well.*

## Distinction with NSA 220

While this standard applies to setting the firm's system of quality control in respect to structure, communication, management, resources, culture, strategy in the firm level irrespective of any engagements, the NSA 220 applies for promoting quality with respect to particular engagement. The managing partner is ultimately responsible for the firm's system to be maintained as per NSQC-1 while the engagement partner is responsible to ensure the maintenance of quality in particular engagement in accordance with NSA 220.

### ***Relevant explanation and guide***

- *This standard (NSQC-1) set up requirements and provides guidance on setting up firm's infrastructure (system) to be able to provide quality across engagements whereas NSA 220 provides procedures to apply those firm's system with respect to particular engagement.*

## Seven Key Areas

The firm's system of quality control specifically constitutes seven key elements across which the firms are responsible to determine their policy with respect to and also to determine the procedures to comply with those policies. Following are the seven key elements/areas of firm's system of quality control:

- i. **Document the operation of the quality control system** so that the firm complies with the relevant NSQC 1 requirements.
- ii. **Lead from the top** giving consistent messages on the importance of quality control.
- iii. **Act ethically** in accordance with the relevant Standards and pronouncements.
- iv. **Accept only those engagements where the firm is confident it can provide a service in compliance with requirements** with particular emphasis on integrity and competencies.
- v. **Recruit, develop and support capable and competent staff** giving due attention to the firm's human resources policies and procedures.
- vi. **Deliver quality audits** that comply with law, regulations and standards, including consulting when needed and meeting requirements for engagement quality control review.
- vii. **Monitor and seek continuous improvement of the firm's system of quality control** and carry out a periodic objective inspection of a selection of completed audit engagements.

*Each of the areas of the firm's system of quality control are expanded in separate paragraphs below where guidance is provided to promote understanding of policies required of the firm and the procedures to meet them.*

### A. Documentation of Firm's system of Quality Control

Documentation means documenting the operation of each element of quality control system and this includes a quality control policy and the documents generated when complying with those policies.

A quality control policy for a **small firm** may be just running to few pages requiring policy with respect to each element, and the procedures may be cross referenced to standard audit package, employment contracts or engagement letters, and needn't be set out everything within the policy.

*The primary objective of documented quality control policy is to ensure that the firm's personnel understand the firm's system of quality control and their own responsibility with respect to compliance.*

The documents generated in complying with that policy may be *for an example*, an annual confirmation of compliance to independence requirements and the training records of the firm, or the register to record complaints and allegations.

The firm needs to keep evidence of operation of the elements of quality control system to facilitate its own monitoring of the system as required by another element of NSQC-1 and also the monitoring from legal or professional regulatory body

Audit partners and staffs shall require to be updated with this policy and changes therein. Sign off may be required to ensure they have understood the same and be encouraged to use the material (policy).

### Example

#### For a sole practitioner):

**Policy:** The firm's system of quality control is appropriately documented to demonstrate compliance with NSQC-1 and the sole practitioner takes responsibility for ensuring this happens.

#### Procedures:

The firm maintains an NSQC-1 file which includes policies to address the elements of a quality control system as set out in NSQC-1 and the way the firm will deliver them. This is kept up to date by the practitioner and the contents are clearly communicated to staff. The partner will provide a copy of it or communicate in meetings, periodically and when changes are updated.

### *Relevant explanation and guide*

- *This standard requires the firms to consider the existing documentation and what further is necessary to comply with NSQC-1.*
- *The level of documentation needed will depend on the size of firm and need not be onerous. That is to say, the cost of complying must not outweigh the benefits to be obtained from the compliance.*
- *The policy of the firm should be coherent with the procedures. A policy without procedures may create confusions and be of little guidance whereas a set of procedures not addressing any definite policy definitely adds cost to the firm, without related benefits.*
- *The firm's quality control policy is not a static document and may be required to be updated/ revised in the context of change in firm's circumstances like personnel, clientele, etc. Hence, it is in the best interest of the firm that the responsibility for tracking these changes is assigned to appropriate personnel within the firm.*
- *A copy of NSQC-1 only will be too general and may not specifically allow understanding on what the firm specifically wants as policy in particular area of quality control.*

## B. Leadership responsibilities for quality within the firm

It is all about leading from the top giving consistent messages on the importance of quality control.

The managing partner or equivalent has to assume the ultimate responsibility to develop an internal culture which gives due regard to maintaining desirable standard of quality in firm's all deliveries. Such responsibilities are discharged either by communicating the key messages through internal communications and in meetings, training events or by setting examples through partner and staff appraisal and rewards.

It is suggested that firms place particular emphasis on ensuring that:

- commercial considerations never override the quality of performance;
- audit partners and staff are always sufficiently independent and approach audits with a mindset of professional skepticism;
- performance evaluation, compensation and promotion demonstrate the firm's commitment to quality; and
- sufficient appropriate resources are devoted to the development, documentation and support of the firm's quality control policies and procedures.

*The firm's policies and procedures should help to promote an internal culture based on the recognition that quality is essential in performing the engagements.*

### Example

#### For a sole practitioner

**Policy:** The sole practitioner has the final responsibility for audit quality and seeks to promote the importance of audit quality in all his/her actions connected with the firm's audit work.

**Procedure:** All changes to our audit procedures must be authorized by the sole practitioner and any issues relating to audit quality should be drawn to sole practitioner's attention immediately.

### ***Relevant explanation and guide***

*The operational responsibility may be delegated to the audit compliance partner or quality control partner; however the ultimate responsibility rests with the managing partner or equivalent. In a firm of sole practitioner, the same is assumed by the sole practitioner himself.*

## C. Ethical Requirements

It is all about acting ethically in accordance with the relevant Standards and Pronouncements by all firm personnel. Acting ethically means to comply with the Code of Ethics for professional accountants pronounced by a member body of IFAC in line with IESBA's Code of Ethics (ICAN Code of Ethics) for professional accountants and also the specific requirements of the code existing in laws and regulation of the national jurisdiction. The IESBA Code establishes the fundamental principles of professional ethics and Part B (professional accountants in practice) illustrates how the conceptual framework is to be applied in specific situations. The general approach is to consider whether safeguards are available to address identified threats to compliance with the fundamental principles.

*This standard usually concentrates on providing guidance as to setting up of firm's structure and policy/procedures as to facilitate compliance with fundamental principles, independence requirements and regulatory requirements that are more restrictive.*

Firms should ensure that all audit partners and staff have appropriate and tailored training on ethical matters and specific guidance that is available within the firm. Partners and staff ought to be aware of who or what to consult if they are uncertain on a particular matter. Specifically, there should be a policy and procedure on what staff should do if they have an ethical issue to resolve.

Paragraph 24 of NSQC-1 requires an annual written statement on independence from all firm personnel required to be independent by relevant ethical requirements. This requirement can most easily be met by using a standard form. However, partners and staff should be expected to report any new situation that could pose an independence problem on a timely basis.

### Example

#### For a partnership firm

**Policy:** The firm only provides audit clients with non-audit services if they do not contravene the principles established by the ICAN Code of Ethics for Professional Accountants and national legal and professional requirements.

**Procedures:** All partners intending to carry out work for an audit client notify the audit engagement partner about the proposed non-audit service before such work commences so he/she can assess the overall impact of ethical requirements on whether the non-audit service can be undertaken in addition to the audit engagement.

### ***Relevant explanation and guide***

- *The communication with the regard to above example policy and procedures may not apply to a sole practitioner, in which case however, he is required to assess the threat to independence and evaluate whether safeguards could reduce the threats to acceptable level.*
- *Obtaining of written confirmation of compliance to independence should be based upon available inventory of client's lists, and a list of possible and generic independence issues as stated by sec 290 of the Code of Ethics, which is the first and basic step to guide the firm personnel towards further complying with the Code when possible independence issues are apparent.*
- *The documentation of operation of this element may require maintenance of register to record the independence issues and their resolution and the details thereof.*
- *In a firm other than a sole practitioner, assignment of specific responsibility to deal with the updates on ethical matters and handling of the ethical issues is in the interest of the firm for efficient functioning of this element of the system.*
- *This standard also specifies that the policy should cover consideration and mitigation of familiarity threat when same senior personnel are involved on an assurance engagement for a long period of time. It provides guidance that the Handbook of Code of Ethics for professional accountants prescribes 7 years cycle of partner's rotation for listed entities, which is made stricter to a period of 3 years in the case of public limited companies in Nepal in which case the latter provision, is applicable. The firm shall determine policies for rotation of engagement partner in other clients not specified by law.*

## **D. Acceptance and Continuance of Client Relationship and Specific Engagements**

It is about accepting only those engagements where the firm is confident that it can provide a service in compliance with requirements with particular emphasis on integrity and competencies.

In summary, firms are required to consider and document as appropriate the following factors when accepting or continuing audit relationships and engagements:

- **the integrity of the client;**
- **the firm's competence to perform the engagement; and**
- **whether compliance with ethical requirements can be achieved.**

NSQC 1 indicates the type of factors to consider, for example the reputation of the client's management and owners. A firm's knowledge of such matters will usually grow in the course of a continuing relationship with the client. While there is a requirement to obtain appropriate information to support a firm's decision to accept or continue an audit appointment, the requirement to document is where 'issues' may be identified and the firm

decides to accept or continue the appointment. The reasons for accepting the appointment in such circumstances should be clearly documented.

Some of the **typical questions** that firms should ask when considering acceptance and continuance are as follows:

- **Is this a specialist area where specialist skills will be required?**
- **Are there complex accounting issues to consider eg, asset valuations, and if so, can we access the necessary expertise to deal with these?**
- **Are there going concern issues?**
- **Are there independence issues eg, relating to fee dependency on non-audit services?**
- **Have there been examples of fraud?**
- **Have we performed the necessary procedures relating to the money laundering regulations and are we comfortable with the results of those procedures?**
- **Is there likely to be a need for external consultation or to appoint an engagement quality control reviewer and if so, do we have appropriate people available to help us?**

The answers to these questions will help the firm to assess the situation holistically and thereby take a decision on whether to accept the engagement.

### **Example**

#### **For a sole practitioner**

**Policy:** The firm only accepts or continues an assignment if the firm has concluded that the client does not lack integrity, that the firm is competent and has the resources to perform the services required, and that the firm can comply with the requirements of the ICAN Code of Ethics for Professional Accountants [and/or national Code or standards or legal requirements].

**Procedure:** The sole practitioner undertakes appropriate investigations/assessments and completes the firm's client acceptance/continuance documentation before the acceptance/continuance decision and also completes the relevant sections of the firm's standard audit procedures during the course of the planning stage of the engagement.

### ***Relevant explanation and guide***

- *The sources of information to consider the acceptance may be communications with existing or previous providers of service of professional accountancy services, inquiry of bankers, legal counsel, last year's audit and annual report, background searches of relevant databases including websites etc.*
- *Standard checklists covering the issues with acceptance can usually be used to assess whether the client or the engagement can be accepted but the partner need to be aware of the specific circumstances of the engagement and should be based upon most relevant information. Mechanistic use of checklists may sometimes lead to escaping on potential issues that would have caused the firm to decline the engagement when the issue was known at the time of acceptance. Such checklists should provide space for inserting necessary remarks to record the impact and resolution of specific issues.*
- *It is not that the existence of any issues will automatically lead to decline of the engagement, but need evaluation if they will affect the firm's engagement performance.*
- *The policies shall also cover what needs to be done in the situation when the firm obtains such information during performance of the engagement that would have caused to decline the engagement prior to acceptance. This might be consideration of professional and legal responsibilities which includes reporting to persons who made the appointment or to regulatory authorities, and possibility of withdrawing from the engagement.*

## **E. Human Resources**

This element of the standard requires to recruit, develop and support capable and competent staff giving due attention to the firm's human resources policies and procedures. NSQC-1 requires firms to consider their human resources policies and procedures on issues such as recruitment, obtaining references, induction and career development, and assess the effectiveness of their performance evaluation and reward system.

Firms need policies and procedures to demonstrate:

- that there will be sufficient suitably qualified staff and partners with the competencies to cope with the number and complexity of audit assignments;
- that audit staff and partners will be trained and developed to ensure that they are sufficiently independent and approach audits with a mindset of professional skepticism;
- that the minimum standards required of audit staff and partners at the different levels of responsibility are in place within the firm, and that training arrangements are tailored to the needs of the firm and its clients; and
- more specifically, that the means of maintaining and keeping staff and partners up to date with developments in audit regulation and practice is established and formalized as part of a commitment to ensuring staff and partners comply with Continuing Professional Education (CPE) requirements.

The ultimate objective of these policies and procedures is to ensure that the engagement partner and staff assigned to audits via the audit planning process have the appropriate experience and competencies necessary for that engagement. There should be a clear link between firms' appraisal processes and their training programs and selection of audit team processes.

### Example

#### For a sole practitioner

**Policy:** The firm will only employ staff or commission external persons to work on audits who have integrity and the relevant competencies.

**One procedure under the policy:** The firm conducts an annual assessment of all people employed or used on audit (including specialists) by the completion of questionnaires. We consider training needs for the sole practitioner and staff as part of the performance review and appraisal process (including assessment of CPD) and decide on appropriate training programs based on this.

### *Relevant explanation and guide*

- *Firm shall arrange to keep and maintain the capacity of human resources suitable to its volume of business and specialist client requirements.*
- *This specifically calls for performance appraisal reviews which provide useful information on taking decision on training programs or additional hiring/ outsourcing.*
- *The performance of teams needs to be linked with incentive systems and growth/ advancement opportunities to reduce turnover and enhance motivation for consistent qualitative performance.*
- *The training records and team assignments should be specifically documented.*
- *The competencies also mean the availability of team member's time for specific engagement.*
- *Annual statement of fit and proper status and signing of confidentiality statements may be necessary to maintain integrity of own people.*
- *Job descriptions and employment contracts need to be in line with the firm's requirements and in agreement with staff understanding and commitments.*
- *Competency can be developed through a variety of methods including professional education, continuing professional development and training, work experience, coaching by more experienced staff, independence education.*
- *The firm may use a suitably qualified external person when internal technical and training resources are unavailable.*
- *Smaller firms may employ less formal methods of evaluating the performance of their personnel.*

## F. Engagement Performance

It is about delivering quality audits that comply with law, regulations and standards, including consulting when needed and meeting requirements for engagement quality control review.

Firms should establish procedures to enable audit engagements to be performed to the standards expected. Ordinarily, this will involve:

- the use of manuals, checklists, and other tools to provide for consistence performance of all engagements.
- fixing the supervision responsibilities within the engagement team which provides that the work of less experienced team member is reviewed by more experienced team member.
- Review by engagement partner including the requirements and procedures for completing engagement quality control review.
- In particular, it is important for firms to recognize when consultation is needed how and from where that consultation is received and other procedures in this regard.
- Procedures for settling difference of opinion within the engagement team members and between engagement partner and consultant or engagement quality control reviewer.

### Engagement Documentation part of engagement performance

Engagement performance also requires policies and procedures to maintain and retain the engagement documentation.

The documents within an engagement file need to be completed and assembled on timely basis which is ordinarily **not more than 60 days** of signing the audit report. However, completion of assembly of engagement file substantially before the date of signing the report is useful for facilitating the partners review. Such policies should also require the engagement documentation to be maintained for **at least five years** unless prescribed for long by the national laws and regulation.

*Auditors are prohibited from deleting or discarding documentation after the file has been assembled. Also, the files shall be kept safely to prevent any catastrophic damages to engagement documentation.*

The firm shall establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and irretrievability of engagement documentation.

The controls that the firm designs and implements to avoid unauthorized alteration or loss of engagement documentation may include those that:

- Enable the determination of when and by whom engagement documentation was created, changed or reviewed;

- Protect the integrity of the information at all stages of the engagement, especially when the information is shared within the engagement team or transmitted to other parties via the Internet;
- Prevent unauthorized changes to the engagement documentation; and
- Allow access to the engagement documentation by the engagement team and other authorized parties as

### **Example 1**

#### **Policy and procedures with respect to Consultation on audit engagements (for a sole practitioner):**

**Policy:** The sole practitioner and any staff are required to consult as appropriate on matters arising from the performance of the audit engagement.

**Procedure:** The first point of consultation will be a senior person within the firm with relevant knowledge/expertise, where available. Where not available, the sole practitioner considers consulting with .....[name of external organization]. All consultation relevant to the final audit opinion is documented and kept on file.

### **Example 2**

#### **Policy and procedures with respect to Documentation – timely final assembly and retention of audit engagement files (for all firms, partnership and sole practitioner):**

**Policy:** Completion and retention of audit engagement documentation should comply with the requirements of paragraphs 45 and 47 of NSQC-1.

**Procedure:** All audit files are compiled in compliance with our audit system. They are assembled as near to the date of the audit report as practicable or as required, but in any event within 60 days of that date. The date of final assembly will be shown clearly on the file once assembly has been completed. They are retained for a period of five years from the date of the audit report.

### ***Relevant explanation and guide***

- *The need to consult a fellow professional may arise in a number of circumstances eg, interpretation of an accounting standard, considerations relating to going concern, adoption of specific accounting policies.*
- *The firm should have policies to identify the requirement for consultation and procedures that are necessary to facilitate the consultation and to ensure the advice is based upon proper information.*
- *The engagement quality control review should mandatorily be carried out by another partner of the firm or suitably qualified external person not involved in the engagement for all listed entities and other complex or entities with fee dependency. Such review should be completed before the final audit report is issued and engagement partners should not date the audit report before the completion of engagement quality control review.*
- *The engagement quality control reviewer evaluates the financial statements and determines whether the proposed report is appropriate based upon consideration of significant judgments and conclusions of the engagement team and such work should be documented.*
- *The professional providing a consultation service and the engagement quality control reviewer cannot be the same person as it impairs the objectivity of the EQCR.*
- *Staffs not involved in the audit may generally lack sufficient authority and seniority to act as EQCR. Hence, either EQCR is another partner of the firm or partner of another firm or any other suitably qualified person from firm providing quality control services.*
- *The receiving of consultation or carrying on of engagement quality control review doesn't limit or reduce the responsibility of the engagement partner in any way.*
- *The firm's policies and procedures shall provide for the replacement of engagement quality control reviewer where objectivity of the reviewer is impaired subsequently.*
- *For additional guidance on engagement documentation, NSA 230 may be referred to and be complied with that standard.*
- *Audit documentation should enable an experienced auditor with no previous connection with the audit to understand:*
  - *the work performed;*
  - *the results and evidence obtained; and*
  - *the significant matters identified and the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.*
- *Oral explanations by the auditor on their own do not constitute adequate audit evidence, but they may be used to explain or clarify information in the audit documentation.*

## G. Monitoring

This element requires monitoring and seeking continuous improvement of the firm's system of quality control and carry out a periodic objective inspection of a selection of completed audit engagements. The monitoring section of NSQC-1 covers the firm's overall review of policies and procedures and it is important for firms to do this on an ongoing basis good practice would be to review what has been done annually.

For monitoring to be useful and result oriented, it calls for standard programs and checklists to be used including experience and seniority on the part of personnel carrying out the monitoring to be able to use the professional judgment in the circumstances of the firm.

Carrying out of monitoring is not for just obtaining information on the state of firm's policies and procedures and their operational effectiveness. It is for the purpose of building on the firm's system and that may be done through various ways. NSQC-1 requires firms to communicate, at least annually, the results of the monitoring of its quality control system to engagement partners and other appropriate individuals within the firm. This communication shall be sufficient to enable the firm and these individuals to take prompt and appropriate corrective action where necessary in accordance with their defined roles and responsibilities.

Recommendations for appropriate remedial actions for deficiencies noted shall include one or more of the following:

- Taking appropriate remedial action in relation to an individual engagement or member of personnel;
- The communication of the findings to those responsible for training and professional development;
- Changes to the quality control policies and procedures; and
- Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.

In the monitoring section of NSQC-1, there are requirements regarding complaints and allegations. The firm should establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with:

- complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and
- allegations of non-compliance with the firm's system of quality control.

*Paragraph 48(c) of the clarified NSQC-1 requires that those performing the engagement or the EQCR are not involved in reviewing the engagements as part of the periodic review.*

### **Example 1**

#### **Policy and procedures with respect to Quality Control Review of a firm (for a sole practitioner):**

**Policy:** The sole practitioner is committed to providing and maintaining a high standard of audit work. One part of achieving this is carrying out regular reviews of the system of quality control including annual external inspection of a selection of completed engagements.

**Procedures:** The sole practitioner reviews the firm's compliance with the national requirements and firm's own quality control system for regulated audit firms on an annual basis.

Annual cold file reviews will be conducted by ..... [name of external organization] in accordance with the engagement letter agreed on [insert date].

The sole practitioner takes appropriate action based on the results of the reviews and important matters arising are communicated to all people deployed on audits on a timely basis.

### **Example 2**

#### **Policy and procedures with respect to Complaints part of Monitoring (for a sole practitioner):**

**Policy:** The sole practitioner is committed to providing a high-quality service to clients, and takes all complaints and allegations against the firm very seriously. The sole practitioner will deal on a timely basis with all complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements.

**Procedure:** All complaints of whatever nature are reported to the sole practitioner through any means as appropriate in the circumstances, who takes action as appropriate. This might include the need for further advice, training, disciplinary action or internal quality control systems changes.

### ***Relevant explanation and guide***

- *Carrying out review of firm's own monitoring is challenging to smaller firms particularly the sole practitioner in which case Firms can benefit from reviews carried out by the appropriate external persons.*
- *The monitoring reviews shall be completed on cyclical basis covering every partner's cold file review at least once in every three years. A sole practitioner may require external review conducted every three years with internal reviews taking place annually from the engagement partner himself, unless there is a drastic change in the client base, or standards/ regulations in which case a shorter cycle of external review would be in the interest of the firm.*
- *The result of the monitoring procedures that should be communicated includes a descriptions of the monitoring procedures performed, conclusions drawn from monitoring procedures, deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action.*
- *Where firms operate as part of the network, the firm within the network should be communicated of the monitoring outcomes at least annually unless the network firm advises otherwise and that meets the requirement of the firm's compliance to NSQC-1.*

***Disclaimer:*** *This document should not be construed as the substitute of NSQC-1 and its standard text though it has been prepared to cover substantially all requirements of the standard in an easy to understand way in the Nepalese context.*